## BEFORE THE DEPARTMENT OF CORPORATIONS

## OF THE STATE OF CALIFORNIA

 $_4 \parallel$  In the Matter of

) File No.: 933-0197

CEASE AND DESIST ORDER

HEALTHDENT OF CALIFORNIA, INC. ("Plan")

2848 Arden Way, Suite 100 Sacramento, CA 95825

HEALTHDENT OF CALIFORNIA, INC.

I.

Health and Safety Code section ("H&S Code") 1375.1(a)(1) states in relevant part:

"Every plan shall have and shall demonstrate to the commissioner that it has all of the following: (1) A fiscally sound operation and adequate provision against the risk of insolvency."

Title 10, California Code of Regulations, section 1300.75.1(a) states in relevant part:

"(a) A plan shall demonstrate fiscal soundness and assumption of full financial risk as follows: (1) Demonstrate through its history of operations and through projections (which shall be supported by a statement as to the facts and assumptions upon which they are based) that the plan's arrangements for health care services and the schedule of its rates and charges are financially sound, and provide for the achievement and maintenance of a positive cash flow, including provisions for retirement of existing and proposed indebtedness. (2) Demonstrate that its working capital is adequate, including provisions for contingencies. (3) Demonstrate an approach to the risk of insolvency which allows for the continuation of benefits for the duration of the contract period for which payment has been made..."

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The Plan has a history of problems maintaining adequate working capital and has had severe cash flow problems. As of July 31, 1998, the Plan had \$3,926 with which to pay accounts payable of \$579,452. A review of the most recent financial reports (for the quarter ending April 30, 1999) indicates that the Plan continues to be cash deficient. As of April 30, 1999, the Plan reported it had a cash deficit of \$36,267, leaving no funds on deposit with which to pay accounts and claims payable of \$660,027. The Plan's total liabilities were \$1,250,741. The Plan reported a loss for the 6<sup>th</sup> consecutive quarter. The net loss for the quarter ending April 30, 1999, was \$77,784. This was over 5.5 times the Plan's surplus tangible net equity.

THEREFORE, pursuant to H&S Code section 1391, THE COMMISSIONER HEREBY ORDERS HEALTHDENT OF CALIFORNIA, INC., TO CEASE AND DESIST from further violation(s) of H&S Code section 1375.1(a)(1) and Title 10, California Code of Regulations, section 1300.75.1(a). IT IS FURTHER ORDERED THAT HEALTHDENT OF

Based on the foregoing, the Commissioner finds that the Plan has violated H&S Code section 1375.1(a)(1) and Title 10, California Code of Regulations, section 1300.75.1(a).

IV.

CALIFORNIA, INC., IS TO CEASE AND DESIST from paying or transferring to any owner or affiliate (including employees related to the owners) of the Plan, any assets of the Plan except for an amount equal to their usual and customary compensation pursuant to currently existing employment agreements, administrative services contracts, or personnel policies.

v.

This order shall be **EFFECTIVE IMMEDIATELY** and shall continue in full force and effect **UNTIL FURTHER ORDER OF THE COMMISSIONER.** 

Dated: July 9, 1999, at Sacramento, California

WILLIAM F. KENEFICK
ACTING COMMISSIONER OF
CORPORATIONS

By\_\_\_\_\_

Christopher Nuechterlein
Assistant Commissioner,
Health Plan Enforcement Division